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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 1, 2001

COMMONWEALTH OF VIRGINIA, ex rel.

STATE CORPORATION COMMISSION

CASE NO. PUE000086

Ex Parte: Delmarva Power &
Light Company; Regional
Transmission Entities

ORDER PRESCRIBING NOTICE AND INVITING
COMMENTS AND/OR REQUESTS FOR HEARING

Sections 56-577 and 56-579 of the Virginia Electric Utility Restructuring Act (the "Restructuring Act"), Chapter 23 (§ 56-576 et seq.) of Title 56 of the Code of Virginia ("Code"), require Virginia's incumbent electric utilities to join or establish regional transmission entities ("RTEs") by January 1, 2001, and to seek authorization from the State Corporation Commission ("Commission") to transfer the management and control of their transmission assets to such RTEs.

Pursuant to § 56-579 of the Restructuring Act, the Commission adopted, in Case No. PUE990349, regulations governing incumbent electric utilities' transfer of the ownership or control of transmission assets, or entitlements thereto, to an RTE, 20 VAC 5-320-10 et seq. (the "RTE Rules"). The RTE Rules require an incumbent electric utility to provide the Commission with certain information pertaining to the required transfer of

management and control of its transmission assets, including, but not limited to, the RTE business structure and governance, transmission rate or rates, and the planning, operation, maintenance, and other responsibilities of the various entities participating in the RTE.

On October 16, 2000, Delmarva Power & Light Company ("Delmarva" or the "Company") filed a motion with the Commission requesting that the Commission determine that its membership in PJM Interconnection, L.L.C. ("PJM"), constitutes compliance with the requirements of the Restructuring Act and the RTE Rules. Section 56-577 A 1 of the Restructuring Act states that an RTE may be an independent system operator ("ISO"). The Company believes that since it is a member of PJM, an ISO approved by the Federal Energy Regulatory Commission, it need take no further action to comply with the Restructuring Act. Delmarva asserts that the operations of PJM are consistent with the criteria for RTEs established in the RTE Rules.

In its motion, Delmarva describes PJM as a non-profit corporation controlled by an elected independent Board of Managers who have no financial interest in the market and no ties to individual member companies. Delmarva lists the following major features of PJM: an ISO controlling operations of the transmission facilities and facilitating a competitive energy market based on locational marginal pricing; a FERC

approved Open Access Transmission Tariff permitting transmission for a non-pancaked single zonal rate; a generation capacity reserve sharing mechanism; a procedure for expansion; and a generation capacity credit market. The Company further describes in its motion how Delmarva's membership in PJM meets the requirements contained in the RTE Rules, including planning and reliability policies and practices, and interconnection, pricing, and access policies and practices.

NOW UPON CONSIDERATION of the Company's motion, we are of the opinion that public notice should be given, and that interested persons should have the opportunity to comment or to request a hearing on whether Delmarva's membership in PJM constitutes compliance with the Restructuring Act and the RTE Rules.

Accordingly, IT IS ORDERED THAT:

(1) Delmarva shall promptly make a copy of its motion and other materials available to the public who may obtain copies, at no charge, by making a request in writing to counsel for Delmarva, Guy T. Tripp III, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074. The motion and other materials filed in this docket may also be reviewed during regular business hours at the Commission's Document Control Center, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia.

(2) On or before June 29, 2001, Delmarva shall publish the following notice as display advertising, not classified, once in newspapers of general circulation throughout its service territory:

NOTICE OF COMMONWEALTH OF VIRGINIA, EX REL.
STATE CORPORATION COMMISSION, EX PARTE:
DELMARVA POWER & LIGHT COMPANY;
REGIONAL TRANSMISSION ENTITIES
CASE NO. PUE000086

On October 16, 2000, Delmarva Power and Light Company ("Delmarva" or the "Company") filed a motion with the State Corporation Commission ("Commission") requesting that the Commission determine that its membership in PJM Interconnection, L.L.C. ("PJM") constitutes compliance with the requirements of §§ 56-577 and 56-579 of the Virginia Electric Utility Restructuring Act (the "Restructuring Act"), and the Commission's Regulations Governing Transfer of Transmission Assets to Regional Transmission Entities ("RTEs") (the "RTE Rules"). The Restructuring Act and the RTE Rules require incumbent electric utilities to join or establish RTEs, and to seek authorization from the Commission to transfer the management and control of their transmission assets to such RTEs.

Section 56-577 A 1 of the Restructuring Act states that an RTE may be an independent system operator ("ISO"). The Company argues that since it is a member of PJM, which is an ISO approved by the Federal Energy Regulatory Commission, it need take no further action to comply with the provisions of the Restructuring Act. Delmarva lists the following major features of PJM: an ISO controlling operations of the transmission facilities and facilitating a competitive energy market based on locational marginal pricing; a FERC approved Open Access

Transmission Tariff permitting transmission for a non-pancaked single zonal rate; a generation capacity reserve sharing mechanism; a procedure for expansion, and a generation capacity credit market. Delmarva asserts that the operations of PJM are consistent with the criteria for RTEs established in the RTE Rules, and also the requirements contained in the RTE Rules, including planning and reliability policies and practices, and the interconnection, pricing, and access policies and practices.

A copy of the above-referenced motion and other materials filed in this docket are available for inspection during regular business hours at the Commission's Document Control Center, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia. Interested persons also may obtain copies at no charge by making a written request to counsel for Delmarva, Guy T. Tripp III, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074.

On or before July 27, 2001, interested persons may submit responses to the Company's motion, written comments, or requests for a hearing to Joel H. Peck, Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. All comments or requests for hearing shall refer to Case No. PUE000086, and copies must simultaneously be sent to the Company at the address set forth above. Any requests for hearing shall state why a hearing is necessary and why such issues cannot be adequately addressed in written comments. If no sufficient request for hearing is received, a formal hearing with oral testimony may not be held, and the Commission may make its decision administratively, based upon papers filed in this proceeding.

On or before July 27, 2001, any person filing comments or requests for hearing may also file a notice of participation in accordance with Rule 80 B of the Commission's Rules of Practice and Procedure, 5 VAC 5-20-80 B. A copy of any notice of participation must simultaneously be sent to the Company at the address set forth above.

DELMARVA POWER & LIGHT COMPANY

(3) On or before June 29, 2001, the Company shall serve a copy of this Order on the Chairman of the Board of Supervisors of any county and upon the Mayor or Manager of any county, city, or equivalent officials in the counties, towns, and cities having alternate forms of government in their service territories. Service shall be made by first-class mail or delivery to the customary place of business or residence of the person served.

(4) On or before July 27, 2001, interested persons may submit responses to the Company's motion, written comments, or requests for a hearing to Joel H. Peck, Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. All responses to the Company's motion, comments or requests for hearing shall refer to Case No. PUE000086, and copies must simultaneously be sent to the Company at the address set forth in Ordering Paragraph (1) above. Any requests for hearing shall state why a hearing is necessary and why such issues cannot be adequately addressed in written comments. If

no sufficient request for hearing is received, a formal hearing with oral testimony may not be held, and the Commission may make its decision administratively, based upon papers filed in this proceeding.

(5) On or before July 27, 2001, any person filing responses to the Company's motion, comments, or requests for hearing may also file a notice of participation in accordance with Rule 80 B of the Commission's Rules of Practice and Procedure, 5 VAC 5-20-80 B. A copy of any notice of participation must simultaneously be sent to the Company at the address set forth in Ordering Paragraph (1) above.

(6) On or before August 3, 2001, the Company shall file with the Clerk proof of notice and service as required herein.

(7) On or before August 17, 2001, the Commission Staff shall file a response to Delmarva's motion.

(8) On or before August 31, 2001, the Company and any interested person may file with the Clerk of the Commission any response to Staff's report.